



Pallas FM Trust

Performance Update — Q1 2023

31 March 2023
PFMT

Key Metrics as at 31 March 2023

Note Type	Fixed Rate Notes
ISIN	AU3CB0275915
Austraclear Series I.D.	PFMT01
Common Code	225828130
Bloomberg	FIGI#BBG00YNB5ZY5 (BB#BN2156758)
Notes on Issue	10,628 Notes of \$10,000 each
Issue Limit	15,000 Notes of \$10,000 each
Issue Term	4 Years
Term to Maturity	21 months
Fungible	Yes
Fixed Coupon	7.5% p.a. paid quarterly in arrears
(Initial) Issue Date	21 December 2020
Maturity Date	31 December 2024
Rating	N/A
Withholding Tax	S.128F Compliant
Underlying Portfolio	
Total Issue Size	\$106,280,000
Total Invested Amount	\$104,872,206
Total Cash Amount	\$1,407,794
Investment Protection (IP)	\$5,314,000
Total Current SPV Investments	17
Average Portfolio LVR	62.2%
Weighted Average Term to Maturity	9.3 months
Loans in Arrears > 90 Days	NIL

Investment Objective & Strategy

Provide bond investors with access to a high-yield, fixed-rate bond supported by a portfolio of SPV investments. Each SPV investment is secured by a registered first mortgage over a quality, Australian real estate asset, predominately located in Sydney, Melbourne and Brisbane metropolitan areas. The SPV portfolio gives investment diversity by geography, sponsor, loan tenor and loan type.

Key Service Providers

Trustee	Pallas Funds Pty. Limited AFSL No. 473475
Investment Manager	Pallas Capital Pty. Limited (ABN 50 616 130 913)
Note Trustee	AMAL Trustees Pty. Limited (ABN 98 609 737 064)
Registrar, Issuing & Paying Agent	AMAL Management Services Pty. Limited (ABN 46 609 790 749)
Security Trustee	AMAL Security Services Pty. Limited (ABN 48 609 790 758)

Investment Activity

As at the 31 March 2023, of the \$106.28 million raised in the Pallas FM Trust Bond Series A (PFMT), \$104.87 million (98.7%) was invested across 17 SPV-first mortgage investments with the top 10 investments representing 78.7% of the total Issue Size as follows:

Top 10 Holdings (SPV Lenders Portfolio)

Investment	Amount	LVR	Exposure
Cremorne, FM Construction	\$10,622,317	65.0%	10.0%
Double Bay, FM Construction	\$10,557,321	65.0%	9.9%
Point Piper, FM Pre-Development	\$10,000,000	41.6%	9.4%
Hornsby, FM Construction	\$9,074,888	65.0%	8.5%
Rose Bay, FM Construction	\$8,417,313	64.1%	7.9%
Port Melbourne, FM Construction	\$8,099,335	65.0%	7.6%
Bulimba, FM Construction	\$7,263,699	65.0%	6.8%
Dundas, FM Construction	\$7,239,516	64.0%	6.8%
South Melbourne, FM Construction	\$6,974,719	64.5%	6.6%
Mascot, FM Construction	\$5,383,584	65.0%	5.1%
Total	\$83,632,692		78.7%



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The Notes benefit from an investment protection (IP) mechanism which requires parties associated with Pallas FM Trust to lodge cash and/or bank guarantees equal to 5.0% of the total Issue Size outstanding in respect of the Notes. Accordingly, as at 31 March 2023 the Pallas FM Trust held cash of \$5,314,000 for this purpose.

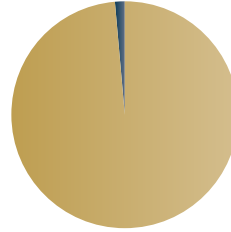
After applying the IP mechanism to any given individual investment within the PFMT portfolio, the effective LVR was 0% in 7 of the 17 positions (i.e. where the PFMT's position (as at 31 March 2023) in the individual loan was less than the IP amount).

Given the Issue Size has exceeded \$75 million, in accordance with the Information Memorandum dated 15 December 2020, the maximum single exposure of a qualifying loan as at 31 March 2023 is as follows:

- a) < 90 days (15% of Issue Size) \$15.94 million
- b) > 90 days (10% of Issue Size) \$10.63 million

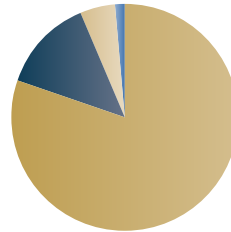
Pallas Capital is satisfied with the deployment of Pallas FM funds to-date, and in the performance with the underlying loans.

Asset Diversification



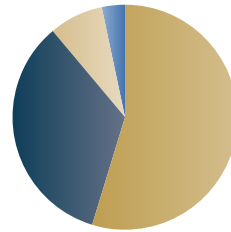
Portfolio Composition

- Funds Invested 98.7%
- Cash 1.3%



Investment Type Diversification

- Construction 80.4%
- Pre-Development 13.3%
- Vacant Land 4.9%
- Cash 1.3%



Geographic Diversification*

- NSW 55.0%
- VIC 34.0%
- QLD 7.8%
- SA 3.2%

*Based on deployed funds only. Excludes any cash position of PFMT.



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About Pallas Capital

Pallas Capital is a debt and equity fund manager specialising in the finance of Australian Commercial Real Estate. The business was established in direct response to the growing lack of credit in Australia's mid-range property market; a situation exacerbated by the absence of reputable, risk-adverse, non-bank lenders.

This has meant that private capital can increasingly access outsized returns relative to risk in an asset class not previously accessible.

With offices in Sydney, Melbourne, Brisbane and Auckland we have originated and managed more than \$2.9 billion across 408 transactions in the past six years, with current Funds Under Management in excess of \$1.6 billion. With a flawless track record of capital preservation, Pallas Capital has already returned over \$1.3 billion to investors with no loss of capital or interest on Pallas investments.

Who can Invest?

Only wholesale, sophisticated investors may invest in Pallas Capital's investments, as defined in Section 761G of the Corporations Act (Cth). Typically, this can be satisfied by an Accountant's Certificate that certifies that the investor has:

- a) Net Assets in excess of \$2.5 million, or
- b) Gross Income in excess of \$250,000 p.a. for each of the last two financial years.

What Investments are Available?

Pallas Capital offers a range of options for investors seeking to invest beyond traditional asset classes and unlock differentiated opportunities through Australian Commercial Real Estate. These include:

- Diversified pooled first mortgage portfolio investments including the Pallas FM Trust Fixed Rate Bond;
- Bespoke first and second mortgage investments; and
- Preferred equity and ordinary equity investment offerings in real estate development projects.

What is the Investment Term?

Typically, loan participations and preference equity investments are between six months and two years in term. Ordinary equity investments may extend to three years.

Do the Investment Products Provide Liquidity or Distributions?

For debt investments, interest is paid monthly or quarterly in arrears. For preference equity interest is generally paid quarterly and partly paid on final redemption. Ordinary equity returns are paid upon redemption or completion of the investment.

By virtue of the asset class and the structure of these products, these investments are illiquid in nature and redemptions during the investment term are not possible.

Sydney Office (HQ)

Pallas House Sydney
Level 5, 30-36 Bay Street
Double Bay NSW 2028

Melbourne Office

Level 1, 67 Palmerston Crescent
South Melbourne VIC 3205

Brisbane Office

Level 1, Suite B, 12 Creek Street
Brisbane QLD 4000

Auckland, New Zealand

Level 7, Suite 7.2, 1 Albert Street
Auckland NZ 1010

pallascapital.com.au
[linkedin.com/company/pallascapital](https://www.linkedin.com/company/pallascapital)
+61 2 8188 1108

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INDEPENDENT VERIFICATION REPORT FOR QUARTER ENDING 31 MARCH 2023

Commercial in Confidence



21 April 2023

TO: Noteholders

Pallas FM Trust (PFM Trust) – 7.5% Fixed Rate Bonds Due 2024

We refer to the Investment Memorandum dated 15 December 2020 issued by Pallas Capital Pty. Limited (ACN 616 130 913) acting as the Corporate Authorised Representative (ASIC No. 001257625) of Pallas Funds Pty Ltd (ACN 604 352 347) as trustee of the Pallas FM Trust (**Issuer**) (**Investment Memorandum**).

This independent verification report is issued in accordance with the reporting provision set out in Section 3 (**Key Terms**) of the Investment Memorandum. Terms used in the Investment Memorandum have the same meaning in this report. AMAL Security Services Pty Limited (ACN 609 790 758) in its capacity as Verification Agent for the Pallas FM Note Trust (**AMAL**) has undertaken an independent verification for the PFM Trust and confirms that as at 31 March 2023 it has reviewed the primary source documents confirming the following:

- 1) (**Security**): that each loan is secured by a registered first mortgage on Australian real estate and has been provided with documents showing that it is supported by the personal guarantee of the sponsor(s) behind the borrower (and in some cases, security over other assets) in each case, in favour of the Issuer;
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. mortgage, certificate of title / land title search issued by the relevant land registry office, personal guarantees) for the purpose of verifying that this statement is true and correct.
- 2) (**Nature of security property**): that the property securing each loan is a development site, residential property or commercial property;
Verification methodology: AMAL has reviewed a copy of the independent source document (i.e. a valuation report prepared by a Pallas Capital Panel Valuer) for the purpose of verifying that this statement is true and correct.
- 3) (**Type of loan**): that each loan is an investment loan, construction loan or residual stock loan;
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. loan agreement and associated security documents) for the purpose of verifying that this statement is true and correct.

- 4) (**Valuation**): the security property for each loan is supported by a valuation by a Pallas Capital Panel Valuer dated no more than three months prior to the date on which the lender committed to make the loan;
Verification methodology: AMAL has reviewed a copy of the independent source document (i.e. a valuation report prepared by a Pallas Capital Panel Valuer) for the purpose of verifying that this statement is true and correct.
- 5) (**Loan-to-value ratio (LVR)**): the Loan Commitment of each loan represents a maximum LVR of 65.0% (in the case of a construction loan, based on the 'as if completed' value of the project ex-GST). **Verification methodology:** AMAL has reviewed copies of the independent source documents (i.e. loan agreement and associated security documents) for the purpose of verifying that this statement is true and correct.
- 6) (**Term**): the term of each loan is less than or equal to 24 months;
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. loan agreement and associated security documents) for the purpose of verifying that this statement is true and correct.
- 7) (**Diversification Strategy / Maximum Single Exposure**): that each loan falls within the limitation on the Maximum Single Exposure;
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. unit certificates, holding statements) for the purpose of verifying that this statement is true and correct.
- 8) (**Investment Protection Mechanism**): that as at 31 March 2023, the PFM Trust holds bank guarantees and/or cash equivalent to 5.0% of the Issue Size (i.e. the aggregate principal amount outstanding in respect of all Notes on issue from time to time);
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. bank statements, bank guarantees) for the purpose of verifying that this statement is true and correct.
- 9) (**SPV Lenders**): that each SPV Lender is controlled and/or managed by a member of the Pallas Group and the PFM Trust does not hold all of the units in each such SPV Lender; and
Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. unit certificates, holding statements) for the purpose of verifying that this statement is true and correct.

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10) **(Related Party Transactions):** that each loan to a Related Party and/or SPV Investment where the SPV Lender has made a loan to a Related Party:

- i) has been made on an arms-length commercial basis;
- ii) has been approved by the Independent Supervisor, who is appointed to scrutinise such loan or SPV Investment; and
- iii) is jointly and severally guaranteed by the related persons that hold a beneficial interest in the borrower.

Verification methodology: AMAL has reviewed copies of the independent source documents (i.e. Independent Supervisor's report, personal guarantees) for the purpose of verifying that this statement is true and correct.

Signed for and on behalf of
AMAL Security Services Pty Limited
(ACN 609 790 758)

Position: Authorised Officer

Date: 21 April 2023



COMPLIANCE CERTIFICATE FOR QUARTER ENDING 31 MARCH 2023

Commercial in Confidence

TO: Noteholders

Investment Memorandum – Pallas FM Trust 7.5% Fixed Rate Bonds Due 2024

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This Compliance Certificate is issued in accordance with the reporting provision set out in Section 3 (Key Terms) of the Investment Memorandum. Terms used in the Investment Memorandum have the same meaning in this certificate.

As at 31 March 2023, the Issuer hereby confirms that:

- a) the Issuer is in compliance with all obligations under the Transaction Documents referred to on page 12 of the Investment Memorandum; and
- b) no event of default under the Transaction Documents is subsisting.

Signed for and on behalf of
**Pallas Funds Pty Ltd as trustee
of the Pallas FM Trust**

Director: Patrick Keenan

Date: 21 April 2023

Director: Dan Gallen

Date: 21 April 2023



**PALLAS
CAPITAL**